

ANTI-BANK AND ANTI-MONOPOLY MOVEMENTS
IN ILLINOIS, 1845-1862

BY
STANLEY LLEWELLYN JONES

B.S., University of Wisconsin, 1940
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AN ABSTRACT OF A THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
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If one bank is mischievous, how much more so must a hundred be? Past experience has proved to us that in agricultural communities such institutions are a curse, and we have found that the small bills of the thousand and one banks in our country have materially retarded our prosperity. . . .

We have had in this State experience enough on this subject to have learned that they are fraught with disaster and ruin. We have had six banks, every one of which failed, involving the people in losses which millions of dollars would not repair. . . . If we desire a valuable and reliable circulating medium, we must, as all experience shows, exclude bank paper entirely.¹

Thus Walter Scates, representing Jefferson County in the Illinois constitutional convention of 1847, voiced his opposition to the establishment of banks in Illinois. At that time no bank existed within the state. The last Illinois bank had been put in the process of liquidation in 1842, and sentiment was strong against the future creation of banks of any kind. Opposition to banking institutions had made its appearance in Illinois as early as 1821 and was to survive through the Civil War to color the thinking of those in the post-war period who grappled with the problems created by an industrialized and urbanized society.

There were two major sources of anti-bank sentiment in Illinois in the years 1845-1862: the hatred of banks inspired by previous unsuccessful experiments with banks in the state; and the doctrine, developed by Jefferson, Jackson, and their partisans in politics, that banks were economically, politically, socially, and even morally, evil and dangerous.

¹Arthur C. Cole, *The Constitutional Debates of 1847*, Illinois State Historical Library, *Collections*, XIV, 87-88.

These beliefs had a profound impact upon the minds of Illinois frontiersmen who had experienced recurrent depressions and bank failures. The result was the widespread acceptance of a credo which viewed banks (the term "bank" in this period always signified a financial institution which issued paper money) as the inevitable sources of a redundant and depreciating currency, the appearance of which led to inflation and speculation, which were followed, in their turn, by depression. It was not this cycle alone that was objectionable to the anti-bank element, who, in Illinois, were mostly farmers. The anti-bank men believed that banks stimulated the growth of industry, commercial enterprise, and cities, and that by so doing they threatened the economic equality and political freedom of farmers, workingmen, and small businessmen. On the other hand, those who favored the creation of banks were the inhabitants of towns and cities or adjacent regions, who believed that banks were indispensable to the rapid growth of commerce and industry. Within Illinois during the years before the Civil War the tug of war between these two groups was of paramount political importance.

Several factors combined in the period of the 1830's to produce parties which gave expression to anti-bank and pro-bank sentiment. The controversies touched off by Jackson when he vetoed the bill for the continuation of the Second United States Bank played a decisive role in aligning the politicians in the state, who had formerly conducted politics largely on the basis of personal likes and dislikes, into parties, as Whigs and Democrats. The struggle over the United States Bank at first caused confusion among Illinois politicians as to the positions they should adopt in regard to local banking; but the experience of the late thirties were to cause Democrats to oppose state banks and corporate monopolies, while the Whigs developed a program which favored the growth of banks and the multiplication of corporate agencies for business enterprise. These party positions, however, were only tendencies. The Democratic

party tended to speak of itself as the party which represented the farmer and mechanic and which, speaking in their behalf, opposed banks and monopolistic corporations, while the Whig party tended to speak for the urban entrepreneurial classes in favor of banks and corporations; but even when the bank controversy was at its height, the parties were internally divided on the issue. In the final analysis, both parties were to contribute to the steadily growing influence of industry, finance, and cities.

The Illinois legislature first established a system of banks in 1821, which, after ten years of a harried and unsuccessful existence, was allowed to die. Thereafter no bank appeared in Illinois until 1835 when the legislature, responding to public demand for increased currency facilities, chartered another bank. In 1837 the capital stock of this bank was enlarged, and the bank was implicated in the stupendous internal improvement project adopted by the legislature in that year. When depression occurred later in 1837, the bank's notes depreciated rapidly; and eventually both the bank and the internal improvement scheme failed. The depression, marked as it was by bank failure, currency depreciation, and a decline in agricultural prices, caused the appearance of opposition to banks of all kinds. Low agricultural prices persisted through most of the 1840's, and in these years anti-bank sentiment flourished in Illinois. In 1846 the Democrats of Illinois at their state convention, after expressing their opposition to the revival of old Illinois banks or the creation of new banks within the state, adopted a resolution stating that

...as Illinois is now free from banks we are opposed both in principle and policy to a renewal of the banking system in this State; and as Democrats we cannot extend our support; in elevating to office any persons who cannot cordially subscribe to the principles expressed in these resolutions.²

²*Illinois State Register*, March 6, 1846.

When a call for a constitutional convention to convene in 1847 was approved in 1845, anti-bank and pro-bank groups turned to the convention to obtain decisive action on the banking question. As the date for the election of the members of the convention neared, both groups exhorted the people of the state to vote only for those delegates whose ideas on banks conformed to their own. In many sections of the state the Whig party advocated a "no party" election, in the hope that such tactics would result in the election of enough conservative pro-bank Democrats and Whigs to effect the adoption by the convention of a constitutional article allowing the establishment of banks in Illinois. The anti-bank Democrats warned the voters of the intent of the Whig "no party" tactics, but the elections resulted as the Whigs had hoped, and the convention, though dominated by the Democratic party, contained a majority of pro-bank members.

During the first days of the constitutional convention, which sat from June 7 to August 31, 1847, the anti-bank Democrats attempted to persuade the convention to adopt resolutions instructing the Committee on Banks and Incorporations to prepare an article prohibiting the establishment or revival of banks in Illinois. The first such resolution to come to a vote in the convention was defeated, and throughout the remainder of the session the anti-bank adherents were to succeed in mustering no more than fifty-odd votes from among a total of 162 members. The convention adopted an article permitting the legislature to enact a law for the establishment of banks in Illinois, provided that before final passage the law creating such banks be submitted to popular vote at the next general election succeeding its adoption by the general assembly.

Anti-bank partisans within and without the convention vigorously protested that the establishment of banks would result in the repetition of the cycle so recently experienced by which banks issued an excessive supply of paper currency,

which caused inflation, and which then resulted in depression. Banks were cursed as the cause of all the financial evils the state had experienced. They were described as the special tools of monopolists of all kinds and as the particular enemy of the farmer, who ultimately could only suffer from their unrestricted operations. Those who favored banks based their arguments largely on the obvious need for banks if business were to expand and prosper.

Another issue dividing radicals and conservatives in the convention was the establishment of an adequate procedure for legislative incorporation of business enterprise. The radical Democrats were opposed to incorporation by special charter and favored recognition of the principles of unlimited liability and the right of legislative repeal and alteration of corporation charters. The conservatives, on the other hand, believed that special charters were necessary for many businesses, that the liability of corporation stockholders should be limited to the extent of their holdings in the corporation, and that corporation charters should not be subject to legislative change or repeal. The result of the debate on this matter was a compromise in the form of a provision that all corporations should be chartered under general law, *except* municipal corporations and other corporations for which an extraordinary special charter was necessary. Stockholders were to be liable for the debts of a corporation only to the extent of their holdings in it, and there was no provision for the repeal or alteration of corporation charters.

Inasmuch as the banking article deferred final decision on the banking question to legislative action and following that to a popular referendum, it did not become a subject of major controversy in the discussions preceding the election on the new constitution. Both Democrats and Whigs favored the adoption of the new constitution, and it was approved by an overwhelming majority at the general election on March 6, 1848.

Pro-bank elements in Illinois seized upon the adoption of the constitution as the signal to launch a campaign for the enactment of a general banking law. Chicago was growing rapidly and becoming increasingly influential; and it was there that most of the movements for the establishment of banks originated. In 1849 the Chicago Board of Trade, at a series of meetings, drew up for the consideration of the general assembly a plan for a severely restricted banking system. The anti-bank men continued to oppose banks and found an able spokesman in Governor Augustus C. French, who, in addressing the general assembly at its regular sessions in 1849 and 1851, announced that no need existed in Illinois for banks and that it would be unwise to expose the state to the evils that were inevitably associated with them. The views of the anti-bank men prevailed in the legislature of 1849 where bills to enact banking laws met with little success. In the legislature of 1851, though there was a Democratic majority, there were enough conservative pro-bank Democrats and Whigs to achieve the passage of a general banking law. This law was vetoed by Governor French, but the general assembly immediately passed it over his veto. The banking law thus enacted by the legislature allowed any individual or association to inaugurate a bank by depositing stocks of the United States, Illinois, or any other state which had maintained the annual interest payments on its stocks, with the Auditor of Public Accounts, who was to issue to the depositing bank circulating notes to the value of the stocks deposited. Banks so organized were to be liquidated if they failed to redeem their notes in specie upon demand. This law was to be submitted to popular referendum in November, 1851.

Little new was added to either the pro-bank or anti-bank arguments in the ensuing debate. Illinois was experiencing a great influx of paper money from other states, much of which was of uncertain value, and pro-bank men argued that rather than tamely submit to the use of an uncontrolled and unsafe "foreign" currency, the state should itself issue

a currency subject to local regulation. Pro-bank men also lauded the advantages of a general banking law and spoke repeatedly, as in the past, of the need for banks if business were to grow and prosper. Anti-bank men attacked the general banking law as being more dangerous than a series of private bank charters, because under the general law bank "monopolists" could multiply banks without limit and flood the state with a redundant paper currency. They alleged that, since most of the state stocks upon which the banks and their note issues would be secured were owned in the East, the Illinois banks organized under the law would become tools for the stock speculators of Wall Street. They continued to believe that banks and paper money were unnecessary and dangerous, especially in a predominantly agricultural community; and it was on the assumption that Illinois was to remain basically an agricultural state, dominated economically and politically by the agricultural classes, that their arguments were based.

The votes in the general assembly on the general banking law had been rather sharply divided on sectional lines, with the members from the southern part of the state voting against the banking law and those from the northern part of the state voting for it. The public discussion of the law further revealed the division between the North and the South on the bank question. In the North the *Chicago Democrat*, which had in the past been a staunch opponent of banks, was now significantly silent. Said the *Democrat* early in the campaign: "There is a perfect mania in this region for banks and the man who says a word against them is bound to be run over."³ Similarly in the South, where anti-bank sentiment was strong the *Whig Alton Telegraph* and *Democratic Review* maintained a careful neutrality. The final tally of votes showed a remarkable sectional division on banking. Only three counties in the North (Jo Daviess, Livingston, and Menard) polled an anti-bank majority, while

³Chicago *Daily Democrat*, May 8, 1851.

the southern counties, with but few exceptions, voted against the general banking law.

In spite of the results of the election anti-bank partisans were not content to cease their agitation for the prohibition of banking in Illinois. The preliminaries incident to the election of a new governor in 1852 were marked by a struggle within the Democratic party for the nomination of pro-bank and anti-bank candidates; and anti-bank protagonists carried their fight into the general assembly of 1853, where a bill for the repeal of the general banking law was passed by the senate but failed to be reported from the Committee on Banks and Corporations in the house of representatives. After this the question of prohibiting banking was to remain dormant until the depression of 1857 created conditions friendly to the revival of anti-bank sentiment.

At the turn of the decade into the 1850's the land reform movement achieved considerable popularity in Illinois, where it was closely related to the anti-bank movement. The *Chicago Democrat* was the chief publicist of the movement in Illinois and printed lengthy editorial discussions stating that the land of the nation was coming under monopoly control and describing how land monopoly had brought disaster and ruin to the masses of Europe. The land reform program had three major goals: the distribution of free homesteads to the landless, limitation of the size of individual land holdings, and the exemption of homesteads from foreclosure for debt. The proposal that homesteads be exempted from foreclosure was popular in Illinois, and in 1851 the legislature adopted a law which exempted from execution or forced sale homesteads to the value of one thousand dollars. That this was not an ephemeral agitation is attested by the fact that the constitutional convention of 1862 provided that the general assembly should adopt a law for the exemption from execution of a "liberal homestead;" and a similar provision was incorporated in the Illinois constitution of 1870.

The anti-bank Democrats, again led by Governor French, also tried to obtain the legislative adoption of adequate general laws for the formation of corporations; but, though the general assembly of 1849 passed general laws for the incorporation of business firms and internal improvement companies, the legislature at each session enacted an increasing number of special corporation charters. The legislative sessions at the end of the 1850's were marked by the appearance of a strong opposition to such legislation among a minority of the members from rural counties. Typical of the arguments presented by the two opposing sides in this debate were those set forth in the general assembly in 1861 when Senator Chauncey L. Higbee, of Pike County, opposed the granting of a special charter to a corporation titled the "Real Estate Loan and Trust Company." Higbee protested that such corporations were formed in order to enable the incorporators to engage in practices which would be illegal if performed in a private capacity and stated that the multiplication of such corporations would be very harmful to the state. Senator William B. Ogden, Chicago capitalist, championed the bill to charter the Real Estate Loan and Trust Company, saying that the main object of the charter was to help the Dutch East India Company invest surplus funds in Illinois and that this company, like other eastern and European capitalists, refused to invest money in an enterprise not granted extraordinary corporate rights through special charter. The views of Ogden prevailed, and the legislatures of these years adopted great numbers of special charters; but popular distrust of this practice was on the increase.

The largest and most influential corporations in Illinois at this time were the railroads. At first everyone was eager to have a railroad in his own community, and there was little suspicion of railroad corporations; but the Illinois Central Railroad, by virtue of its peculiar financial relationship to the state and because it had received a large land grant, was early the object of suspicion. By 1858 the Illinois

Central had become a major political issue in Illinois; and distrust of the road's motives was so great that politicians found it a decided liability ever to have been connected with the Illinois Central. It was feared in some quarters that the Illinois Central planned to retain the land grant permanently, thus establishing a powerful land monopoly; but there was greater public concern over oft-repeated allegations that the road was attempting to evade its charter obligations to pay a certain percentage of its gross proceeds into the state treasury.

At the end of the 1850's discontent with railroad malpractices, particularly with rate discriminations on non-competing routes, made its appearance in Illinois. In 1859 the legislature received petitions asking that it enact laws to establish controls that would provide for fair and non-discriminatory rates on railroads within the state. Similar petitions were directed to the constitutional convention of 1862. The following lines quoted from a petition presented to the general assembly of 1859 and signed by eighty-nine citizens of Logan County demonstrates the extent to which such thinking had developed:

...we do think corporations embracing and controlling [*sic*] so much money power and chartered rights as to preclude the idea of individual competition in carrying freight and transporting passengers should be limited in their exactions to what is reasonable and just.... Your memorialists respectfully represent the management of the Chicago, Alton & St. Louis Road for the past two years as unjustly discriminating against the people of Logan County....

We respectfully ask that you will pass a Law requiring a uniformity of rates per mile for freights and passengers below a maximum rate and make it a cause of *abrogation* of *charter* for any company to charge or receive any higher rate for transporting passengers or merchandise over a shorter distance of its road than is charged according to such fixed tariff for freight and passenger fair [*sic*] through.⁴

⁴Petitions to the General Assembly of 1859 (in Archives, Illinois State Library).

The depression of 1857 and the financial uncertainty caused by secession resulted in the resurgence of economic radicalism; so that when a constitutional convention was convened on January 7, 1862, it was faced with widespread and insistent demands that it deal in a radical manner with banks and corporations. The people of the state had for several months, in fact, been looking forward to the convention in anticipation that it would take decisive action against banks. An act to create a new system of banking presented for popular referendum by the legislature in 1861 had been universally opposed because its adoption would have narrowed the convention's freedom to act on banking, and it was rejected by the voters. The constitutional convention was composed largely of men who desired the prohibition of banks and the rigid control of corporations. Out of a total of seventy-five members, forty-five were Democrats, many of them of a decidedly radical stamp, ten were Democrats nominated at Union Party conventions, and twenty were Republicans. Even among the Republicans there were anti-bank radicals such as John Wentworth and Alexander Campbell, who acted with the radical Democrats on all the important economic questions. The result was that the convention adopted an article which prohibited the establishment of any kind of bank in Illinois and which provided for the gradual elimination of all out-of-state paper money. This article was to be voted upon separately at the same time as the constitution. The convention also adopted articles prohibiting the chartering of corporations under any but general law, securing the taxes and other financial obligations fixed by the Illinois Central charter permanently to the state, and declaring the rolling stock and other movable property of railroad corporations personal property instead of real estate as it had theretofore been defined by the courts. Under Illinois law real estate could not be attached for the payment of debts if it were already covered by a mortgage; and since all railroad property was mortgaged, laborers and farmers who sued the railroads to obtain pay-

ment for labor or materials which they had furnished or injuries they had suffered found that they could not collect in cases where the judgment of the courts was in their favor.

In the months preceding the constitutional convention the radical Democrats had rebuffed Republican Union Party advances with the argument that the continuance and revival of basic economic issues necessitated the retention of the Democratic party organization. After the convention adjourned on March 24, 1862, Democrats pointed to the economic provisions of the constitution as features particularly enacted for the people by the Democratic party; and they commonly referred to the new document as the "People's Constitution." Republicans paid little attention to the economic sections of the constitution. They attacked the document as an usurping, revolutionary, and disloyal instrument. When they did speak of the economic sections, however, they opposed them as likely to inhibit the growth and prosperity of business enterprise. One notable exception was the Chicago Republican, John Wentworth, who had aided in the preparation of the constitutional provisions regarding banks and corporations and who campaigned for the adoption of the constitution and the banking article.

The voting on the constitution of 1862 and the accompanying banking article again showed sectional differences on the banking question within Illinois. Most of the southern counties voted for the article prohibiting banks, while most of the northern counties voted against it. The extent of the opposition to banking aroused by the financial instability and economic hardship accompanying the depression of 1857 and secession was revealed by the large number of votes cast for the article to prohibit banks; for it was defeated by only 3801 votes in a total vote of 256,877. Traditionally pro-bank counties, such as Cook, Will, and Sangamon, now produced anti-bank majorities. Both the new constitution and the bank article were defeated, however; and the debates associated with them were largely forgotten as the state

became engrossed in the problems presented by the war. In the post-war period economic problems relating to banks, corporations, and railroads were again to come to the fore; and then the dogmas and prejudices of the pre-war period were to reappear and play an important role in shaping agrarian adjustment to the new industrial and financial order.

BIBLIOGRAPHICAL NOTE

Though there are few manuscript collections that provide much insight into the anti-bank and anti-monopoly movements in Illinois in the pre-Civil War period, the author found that materials in the Mason Brayman MSS. at the Chicago Historical Society and the Illinois Central Railroad MSS. at the Newberry Library in Chicago were significantly valuable. The most important sources, however, for the data used in this thesis were the almost complete files (1836-1861) of the daily and weekly editions of the Chicago *Democrat* at the Chicago Historical Society and the files of the *Illinois State Register* and *Illinois State Journal* in the Illinois State Historical Library at Springfield. The two latter papers carried reports of the debates in the constitutional conventions of 1847 and 1862 and in the various legislative sessions held during the years studied. The reports of the convention debates, which have long been neglected, provide extraordinarily valuable materials for study of the economic and social thought of the period.

VITA

Stanley Llewellyn Jones was born at Shell Lake, Wisconsin, on September 7, 1918. He attended the University of Wisconsin from which he received the degrees of Bachelor of Science and Master of Arts in 1940 and 1941, respectively. During the school year 1941-1942 he studied at the University of Illinois; but these studies were interrupted in July, 1942, when he was inducted into the United States Army. He was discharged from the Army in November, 1945; and in the following month he was employed by the United States Army Quartermaster Corps at Chicago to prepare a historical monograph, "The History of the Market Center Program," which was completed in August, 1946. In the Autumn of 1946 Jones returned to the University of Illinois to resume graduate study in history. He is a member of Phi Beta Kappa.

